

**Malaysian Reinsurance Berhad
(Incorporated in Malaysia)**

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of Malaysian Reinsurance Berhad ("the Company") for the financial year ended 31 March 2015.

Principal activity and holding company

The Company is principally engaged in the underwriting of all classes of general reinsurance business. There have been no significant changes in the nature of this principal activity during the financial year.

The holding and ultimate holding company is MNRB Holdings Berhad, a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

Results

	RM'000
Net profit for the year	<u>152,079</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements. In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amount of dividend paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 March 2014:	
First and final single-tier dividend of 9.8%, paid on 14 October 2014	<u>50,000</u>

At the forthcoming Annual General Meeting, a first and final single-tier dividend in respect of the current financial year ended 31 March 2015 of 19.6% based on the issued and paid-up share capital of 510,000,002 ordinary shares at the date of this report, amounting to a total dividend of RM100,000,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 March 2016.

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Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Sharkawi bin Alis
Hashim bin Harun (Resigned with effect from 1 April 2015)
Zainudin bin Ishak (Appointed with effect from 1 April 2015)
P. Raveenderen
Dato' Syed Ariff Fadzillah bin Syed Awalluddin
Yusoff bin Yaacob
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)
Megat Dziauddin bin Megat Mahmud
Mohd Din bin Merican
Mustaffa bin Ahmad (Appointed with effect from 1 June 2015)
Md Adnan bin Md Zain (Appointed with effect from 1 June 2015)

In accordance with Article 84 of the Company's Articles of Association, Yusoff bin Yaacob will be retiring at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. In accordance with Article 90 of the Company's Articles of Association, Zainudin bin Ishak, Mustaffa bin Ahmad and Md Adnan bin Md Zain retire and, being eligible, offer themselves for re-election.

P. Raveenderen who will be retiring pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting offers himself for re-appointment as Director in accordance with Section 129 of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

Dato' Syed Ariff Fadzillah bin Syed Awalludin who will be also retiring pursuant Section 129 of the Companies Act 1965 at the forthcoming Annual General Meeting, had informed that he would not be seeking re-election.

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from the Company or the fixed salary of and benefits receivable as a full-time employee of the Company as disclosed in Notes 9, 10 and 28 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the holding company during the financial year are as follows:

	Number of ordinary shares of RM1.00 each			As at 31 March 2015
	As at 1 April 2014	Acquired	Sold	
The Holding Company:				
Direct interest:				
P. Raveenderen	10,000	-	-	10,000
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)	5,000	-	-	5,000

Other than as stated above, none of the Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

Corporate Governance

The Board of Directors ("the Board") confirmed that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia's ("BNM") Guidelines, BNM/RH/GL 003-1: *Minimum Standards for Prudential Management of Insurers (Consolidated)* and BNM/RH/GL 003-2: *Prudential Framework of Corporate Governance for Insurers*.

During the financial year, nine (9) Board meetings were held. Details of the Directors' attendance at the meetings during the financial year are as follows:

Directors	Attendance
Sharkawi bin Alis Chairman/Non-Independent Non-Executive Director	9/9
Hashim bin Harun (Resigned with effect from 1 April 2015) Non-Independent Executive Director	8/9
P. Raveenderen Non-Independent Non-Executive Director	9/9

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Corporate Governance (cont'd.)

Directors	Attendance
Dato' Syed Ariff Fadzillah bin Syed Awalluddin Independent Non-Executive Director	9/9
Yusoff bin Yaacob Independent Non-Executive Director	9/9
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned on 1 June 2015) Non-Independent Non-Executive Director	7/9
Megat Dziauddin bin Megat Mahmud Independent Non-Executive Director	9/9
Mohd Din bin Merican Non-Independent Non-Executive Director	9/9

Corporate Governance Standards

The Board has delegated specific responsibilities to the Audit, Nomination, Remuneration, Risk Management and Investment Committees of the Board.

The membership, roles and terms of reference of the Audit, Nomination, Remuneration, Risk Management and Investment Committees of the Board during the financial year were as follows:

(i) Audit Committee

The Audit Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the Committee is a qualified accountant and a member of the Malaysian Institute of Accountants ("MIA").

The Audit Committee's terms of reference include the review and deliberation of the Company's financial statements, the findings of the External and Internal Auditors, any related party transactions and any conflict of interest situations within the Company as well as making recommendation to the Board on the appointment/re-appointment of External Auditors.

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL 003-22: *Guidelines for Audit Committees and Internal Audit Department (Part A)* and BNM/RH/GL 013-4: *Guidelines on Internal Audit Function of Licensed Institutions* issued by BNM.

During the financial year, six (6) Audit Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

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Corporate Governance Standards (cont'd.)

(i) Audit Committee (cont'd.)

	Attendance
<u>Chairman</u>	
Megat Dziauddin bin Megat Mahmud	6/6
<u>Members</u>	
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	6/6
P. Raveenderen	6/6

(ii) Nomination Committee

The Nomination Committee comprises two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

The Nomination Committee considers and evaluates the appointment of new Directors of the Company and the composition of the various Committees of the Board. In this regard, the Committee is of the opinion that the current composition of the Board reflects a good mix of skills and experience in various fields. The Committee also makes recommendations to the Board for appointment, reappointment or re-election of Directors.

In addition, the Committee is entrusted with the responsibility for both the appointment and evaluation of the Directors and key senior officers of the Company. The Nomination Committee also establishes the minimum requirements for the President & Chief Executive Officer ("CEO") to perform his duties effectively and regularly reviews his performance.

Apart from these, the Committee is responsible to establish whether the Company's Key Responsible Persons are fit and proper to hold their respective positions.

During the financial year, six (6) Nomination Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance
<u>Chairman</u>	
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	6/6
<u>Members</u>	
Sharkawi bin Alis	6/6
P. Raveenderen	6/6
Yusoff bin Yaacob	6/6
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)	5/6

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Corporate Governance Standards (cont'd.)

(iii) Remuneration Committee

The Remuneration Committee comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Remuneration Committee's primary objective is to provide a formal and transparent procedure for developing a remuneration policy for the Directors, the CEO and other key senior officers to ensure that their compensation is competitive and consistent with the Company's culture, objective and strategy. The Committee is responsible for recommending the framework of remuneration and specific remuneration packages for the Directors, the CEO and other key senior officers.

During the financial year, five (5) Remuneration Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance
<u>Chairman</u>	
Megat Dziauddin bin Megat Mahmud	5/5
<u>Members</u>	
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	5/5
Yusoff bin Yaacob	5/5
Mohd Din bin Merican	5/5

(iv) Risk Management Committee

The Risk Management Committee comprises one (1) Independent Non-Executive Director and three (3) Non-Independent Non-Executive Directors.

The Risk Management Committee reviews and recommends risk management strategies, policies and risk tolerance limits for the Board's approval. The Committee reviews the progress and assesses the effectiveness and adequacy of the risk management policies and framework adopted by the Company for identifying, measuring, monitoring and controlling risks within the Company. The Committee also reviews the adequacy and effectiveness of the infrastructure, resources and systems in place to ensure effective and timely reporting of risk management activities.

During the financial year, four (4) Risk Management Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

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Corporate Governance Standards (cont'd.)

(iv) Risk Management Committee (cont'd.)

	Attendance
<u>Chairman</u>	
Yusoff bin Yaacob	4/4
<u>Members</u>	
P. Raveenderen	4/4
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)	4/4
Mohd Din bin Merican	4/4

(v) Investment Committee

The Investment Committee comprises one (1) Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director.

This Committee oversees, guides and monitors the investment operations of the Company as well as approves recommended investment related transactions. The Committee is also responsible to note and approve specific transactions of a nature that, by regulation, requires awareness of and sanctioning by the Board.

During the financial year, four (4) Investment Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance
<u>Chairman</u>	
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)	4/4
<u>Members</u>	
Megat Dziauddin bin Megat Mahmud	4/4
Hashim bin Harun (Resigned on 1 April 2015)	4/4
Mohd Din bin Merican	4/4

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Other Statutory Information

- (a) Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

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Other Statutory Information (cont'd.)

- (f) (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purposes of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from contracts of reinsurance underwritten in the ordinary course of business of the Company.

- (g) Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for Insurers ("the Framework") issued by BNM.

Subsequent Event

The Company had been granted an approval from BNM, vide its letter dated 16 April 2015, to conduct General and Family retakaful business under Section 10 of the Islamic Financial Services Act 2013 (IFSA) via the establishment of a retakaful division, subject to certain expectations and considerations being met.

Auditors

The retiring auditors, Messrs. Ernst & Young, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 June 2015.

Sharkawi bin Alis

Zainudin bin Ishak

Kuala Lumpur, Malaysia